

TEACHERS' RETIREMENT BOARD  
REGULAR MEETING

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SUBJECT: Cash Balance Plan Update

ITEM NUMBER: 10

ATTACHMENT(S): 2

ACTION:    

DATE OF MEETING: June 4, 1998

INFORMATION: X

PRESENTER: Ms. DuCray-Morrill

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A. Client Contact Update

The STRS Cash Balance (CB) Plan marketing strategy continues to follow the strategy outlined in the Marketing Plan presented to the Board in October, 1997.

Some districts not included as target districts have requested employer visits/workshops. Employee groups have requested informational CB Plan workshops as well which are scheduled prior to the collective bargaining process and/or during the district election period. The workshops are an effective tool to inform both employers and employees regarding CB Plan provisions and to give employers information necessary for them to make decisions regarding CB Plan implementation.

From January 1998, until May 12, 1998 twenty-nine employer/employee workshops have been presented to an estimated total of 425 individuals. This is in addition to individual meetings scheduled with School District officials. Client contacts have also included participation in the California Association of School Business Officials (CASBO) convention and The San Juan School District Day of the Teacher recognition day.

B. Update on Administration and Recordkeeping System

Since the inception of the Cash Balance (CB) Plan in July of 1996, it has undergone its share of scrutiny and proposed change. As with any new program, it has been massaged and adjusted while staff continue to recommend improvements to strengthen and enhance this new hybrid plan designed for hourly, adjunct, and part-time California public school educators.

At the February 5, 1998 Regular Board meeting, the Teachers' Retirement Board (Board) reaffirmed its support of the CB Plan and committed to continue the marketing and administrative efforts to ensure the long-term existence of the Plan. The Board directed staff to pursue legislation to merge the CB and Defined Benefit (DB) funds under one trust for administrative efficiency. During the May 7, 1998 meeting, the Board continued advancements to strengthen and improve the options available through the CB Plan by directing staff to seek legislation to

incorporate an overlay design in the CB Plan and placing the decision to participate in the CB Plan at the individual employee level.

### **CB Plan Status Summary**

#### **Participation**

As of May 3, 1998, there are 3,006 contributing participants, an 88.8% increase over what was reported to the Board in January 1998 (1,592 participants). The 3,006 participants are employed in eleven districts representing eight different counties throughout California.

In California's educational workforce, it is not unusual for part-time community college faculty to be employed in multiple districts. These individuals are called "Freeway Flyers". A separate CB Plan sub account is established for each participant for each of his/her employers. Currently 3,104 sub-accounts have been established and contain CB contributions with approximately 128 participants are currently working in two or more districts.

As of July 1, 1998 two additional employers, Glendale Community College and Yuba Community College Districts, will begin participation. According to their estimates, 970 teachers will be eligible to make the election into the CB Plan, and of those eligible teachers, approximately 485 are expected to elect participation in the CB Plan.

#### **Contributions**

Attachment 1 represents the actual contributions for all eleven participating employers. Contributions are displayed both by fiscal year 1997/98 and a cumulative total of all contributions appended to participant accounts during the entire plan period for each employer. This also includes a sub-total by county for comparison. As of May 3, 1998, \$871,477 in contributions have been received and appended for this fiscal year for a total of \$1,033,142.

At the February 5, 1998 Board meeting, staff projected contribution levels of \$1,281,807.00 for May 1998. Actual contributions fell short by \$248,665.00 due in part, to one district's postponement in participation until the 1998/99 school year. (Attachment 2 represents employer resolutions received as of May 14, 1998.)

#### Recordkeeping System (Database)

The Chief Executive Officer reported to the Board at the October 1997 meeting his approval to pursue a sole source contract with an information technology firm to develop an electronic information processing system to host the STRS CB Plan database and maintain its respective associated software. The Cash Balance Information Technology System (CBITS) Project Team was formed on October 17, 1997 to analyze and research various alternatives for maintaining the CB Plan database, both internally and externally and recommend the appropriate course of action.

All efforts were suspended the following month with the Board's desire to reassess the viability of the CB Plan. Contract efforts were not resumed until approval was granted for continuing the CB Plan at the February 5, 1998 meeting.

CBITS has researched the procurement of an electronic information processing system to internally host CB Plan data and its associated software on a single database. The team has also analyzed both current and future CB Plan hardware and software reporting requirements and researched viable database solutions. The team has worked extensively with an information technology firm to specify program and plan requirements to insure the proposed software and its customization will provide the administration and record keeping system necessary to support the CB Plan.

After obtaining a final written proposal from the vendor, Executive staff concluded it is necessary to pursue a contract through the competitive bid process since the final bid received far exceeds the initial cost estimate. The additional time that is required to complete a formal competitive bid process would extend the development of an electronic information processing system by four months. However, it would still produce a finished product in enough time to adequately service the eleven school districts that are reporting and submitting contributions by the end of March 1999. Team members have begun working with the Contract Unit to process a Request For Proposal (RFP) for a client-server database system for the CB Plan. Enough time has passed that staff believes more information technology firms may now be available and willing to compete in a competitive bid process at a reasonable cost.